

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Caseville Harbor Commission</b>	County <b>Huron</b>
Audit Date <b>March 31, 2005</b>	Opinion Date <b>May 23, 2005</b>	Date Accountant Report Submitted to State: <b>September 27, 2005</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Nietzke &amp; Faupel, P.C.</b>			
Street Address <b>41 East Main Street</b>	City <b>Sebewaing</b>	State <b>MI</b>	ZIP <b>48759</b>
Accountant Signature <i>JoAnn Lakie, CPA</i> <b>JoAnn Lakie, CPA</b>			Date <b>9/27/05</b>

**CASEVILLE TOWNSHIP/VILLAGE  
HARBOR COMMISSION  
CASEVILLE, MICHIGAN**

**FINANCIAL REPORT  
MARCH 31, 2005**

# **CASEVILLE TOWNSHIP/VILLAGE HARBOR COMMISSION**

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# Nietzke & Faupel, PC

Members of: Michigan Association of Certified Public Accountants • American Institute of Certified Public Accountants

ALLAN W. NIETZKE, CPA  
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JEFFREY P. BUSHEY, CPA  
BRIAN V. HAZARD, CPA

CPA's On Your Team

## REPORT OF INDEPENDENT AUDITORS

To the Honorable Board of Commissioners  
Caseville Township/Village Harbor Commission  
Caseville, Michigan 48725

We have audited the accompanying financial statements of the business type activities of the Caseville Township/Village Harbor Commission, Caseville, Michigan as of and for the year ended March 31, 2005, which comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Caseville Township/Village Harbor Commission, Caseville, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the Caseville Township/Village Harbor Commission, Caseville, Michigan as of March 31, 2005, and the changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Nietzke & Faupel, P.C.*  
NIETZKE & FAUPEL, P.C.  
Sebewaing, Michigan

May 23, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis of Caseville Harbor Commission's financial performance provides an overview of the Commission's financial activities for the year ended March 31, 2005. This report is part of the Commission's Annual Report.

The purpose of the Commission is to provide marina facilities and other related boating services to the public. Funding for and operation of the marina facilities is under the direction of the Caseville Harbor Commission. The Caseville Harbor was originally under the jurisdiction of Caseville Township. In 1989, the Harbor Commission was incorporated to include the Village of Caseville. Land owned by the Township was then transferred to the Commission. The Commission consists of six members appointed by both the Village of Caseville and Caseville Township.

### **Using the Annual Report**

This annual report consists of a series of financial statements as follows:

- **The Statement of Net Assets** presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net assets.
- **The Statement of Revenues, Expenses and Changes in Net Assets** presents information showing how the Commission's net assets changes during the most recent year. All changes in net assets are reported on an actual basis, that is, the event is recorded in the accounting records when the underlying event takes place regardless of the timing of the related cash flows.
- **The Statement of Cash Flows** presents the financial activities of the Commission on cash received and cash paid basis. This statement also reconciles the change in cash accounts for the Commission from the prior year to the current year.
- **Notes to the Financial Statements** provide additional details underlying the data provided for in the financial statements.

### **Financial Highlights**

The Statement of Net Assets outlines the assets, liabilities and net assets of the Commission. The total assets decreased from \$1,146,654 in the prior year to \$1,097,342 in the current year, a decrease of \$49,312. The current year assets include:

Unrestricted current assets (cash, investments, and receivables)	\$ 31,127	2.90%
Capital assets	<u>1,066,215</u>	<u>97.10%</u>
<b>Total Assets</b>	<b><u>\$1,097,342</u></b>	<b><u>100.00%</u></b>

The change in net assets (\$49,312) as shown on the Statement of Revenues, Expenses and Changes in Net Assets includes:

Operating Loss (operating revenues less operating expenses)	\$ (49,057)
Non Operating Revenues/Expenses	<u>(255)</u>
<b>Change in net assets</b>	<b><u>\$ (49,312)</u></b>

This change in net assets decreased the net assets from \$1,146,654 at the beginning of the year to \$1,097,342 at the end of the year. The total net assets include \$1,066,215 for capital assets net of related debt, with the remainder amount \$31,127 unrestricted.

The Commission realizes nearly all of its operating revenue from seasonal and transient boat dockage and launch fees. Charges for dockage and launches in the amount of \$126,361 comprise 90.5% of the total revenue while profits on gas sales, pumpouts and miscellaneous income comprises the remaining 9.50%. Included in the operational revenue was \$16,049 from the Department of Natural Resources for a 50% reimbursement for dock repairs. Total operating revenue increased by \$48,415. Revenues for dockage and launch fees account for the majority of the increase in revenue.

The largest expense is depreciation making up \$49,314 or 24.2% of the expenses. Contracted services, representing labor costs to repair damaged boat docks, in the amount of \$39,726 represent 19.5% of the expenses. Harbormaster salaries in the amount of \$45,565 represent 22.3% of total expenses. These expenses represent a paid bonus for 14 years of service paid to the retiring harbormaster that was not accrued from prior years, and salaries paid concurrently while training the new harbormaster. Utilities, other wages, and benefits and supplies make up the remaining \$70,407 or 34% of the total expenses. Total operating expenses increased \$62,276 largely due to wages and boat dock repairs.

Harbor income is reported on a cash receipting basis, not an accrual basis. Revenues for seasonal dockage is collected and recorded in the prior year. The Commission is considering changing the due dates of the seasonal dockage payments to be recorded in the current fiscal year, or possibly matching their fiscal year to the calendar year.

During the year 2004 there were no significant variations between the actual revenue and expenses and the budgeted revenue and expenses as approved by the Harbor Commission. The overall financial position of the Commission has not significantly changed from the prior year.

### **Requests for Information**

This financial report is designed for the citizens of Caseville Township with a general overview of the Board's finances and to show accountability for the funding it receives. Questions concerning any of the information in this report should be addressed to James Musser, Harbor Commission Chairperson, P.O. Box 1533, Caseville, Michigan 48725.

## **BASIC FINANCIAL STATEMENTS**

# CASEVILLE TOWNSHIP/VILLAGE HARBOR COMMISSION

## STATEMENT OF NET ASSETS MARCH 31, 2005

### Current assets:

Cash	\$ 45,733
Inventory - Gas & Diesel - Cost FIFO	<u>4,001</u>
Total current assets	<u>49,734</u>

### Non-current assets:

#### Capital assets:

Land	172,776
Land & improvements	1,171,621
Building and improvements	325,272
Equipment	246,786
Accumulated depreciation	<u>(850,240)</u>
Total non-current assets	<u>1,066,215</u>

### Total assets

\$ 1,115,949

### Current liabilities:

Accounts payable	\$ 107
Deferred revenue - Winter storage	1,500
Line of credit	<u>14,000</u>
Total current liabilities	<u>15,607</u>

### Non-current liabilities:

Deferred revenue - net of current	3,000
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### Total liabilities

18,607

### Net assets:

Investment in capital assets	1,066,215
Unrestricted	<u>31,127</u>
Total net assets	<u>\$ 1,097,342</u>



# **CASEVILLE TOWNSHIP/VILLAGE HARBOR COMMISSION**

## **STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS YEAR ENDED MARCH 31, 2005**

### **OPERATING REVENUES:**

Seasonal boat docks	\$ 79,650
Transient boat docks	27,967
Boat drops	18,744
Gross profit on gas and oil	10,338
Pump outs	970
Miscellaneous income	708
Grant money	16,049
Waiting fee	30
Winter storage	1,500

### **TOTAL OPERATING REVENUE**

155,955

### **OPERATING EXPENSES:**

Harbor commission fees	2,220
Harbor master salary	45,565
Dock attendants salary	11,248
Employee benefits	5,363
Legal and professional	2,403
Bookkeeping services	3,000
Office supplies	475
Training	1,215
Supplies	2,669
Contracted services	39,726
Insurance	13,875
Utilities	8,102
Telephone and internet	1,798
Printing and publishing	763
Bank charges	1,604
Repairs and maintenance	7,563
Sales tax	975
Office rental	1,000
Miscellaneous expense	6,137
Depreciation expense	49,314

### **TOTAL OPERATING EXPENSES**

205,012

### **OPERATING (LOSS)**

(49,057)

# **CASEVILLE TOWNSHIP/VILLAGE HARBOR COMMISSION**

## **STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS YEAR ENDED MARCH 31, 2005**

### **NONOPERATING REVENUE (EXPENSE):**

Interest income	40
Interest expense	<u>(295)</u>

<b>TOTAL NONOPERATING REVENUE (EXPENSE)</b>	<b>(255)</b>
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<b>CHANGE IN NET ASSETS</b>	<b><u>(49,312)</u></b>
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<b>NET ASSETS AT APRIL 1</b>	<b><u>1,146,654</u></b>
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<b>NET ASSETS AT MARCH 31</b>	<b><u>\$ 1,097,342</u></b>
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# CASEVILLE TOWNSHIP/VILLAGE HARBOR COMMISSION

## STATEMENT OF CASH FLOWS YEAR ENDED MARCH 31, 2005

### CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 196,923
Cash payments to suppliers of goods and services	(127,919)
Cash payments to employees	(62,033)
Cash payments for fringe benefits	(5,709)

Net cash provided by operating activities	<u>1,262</u>
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### CASH FLOWS FROM NON-CAPITAL

#### FINANCING ACTIVITIES:

Proceeds from line of credit	30,000
Principal repayment of line of credit	(16,000)
Interest expense payment	(295)

Net cash provided by non-capital financing activities	<u>13,705</u>
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### CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income	<u>40</u>
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NET INCREASE IN CASH	15,007
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CASH AT APRIL 1, 2004	30,726
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CASH AT MARCH 31, 2005	<u>\$ 45,733</u>
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### Reconciliation of operating (loss) to net cash flows from operating activities:

Operating (loss)	\$ (49,057)
Add depreciation expense	49,314
Changes in current assets and current liabilities:	
(Increase) decrease in current assets	
Accounts receivable	5,784
Inventory	(2,478)
Increase (decrease) in current liabilities:	
Accounts payable	(454)
Deferred revenue	(1,500)
Accrued payroll withholdings	(347)

Net cash provided by operating activities	<u>\$ 1,262</u>
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## **CASEVILLE TOWNSHIP/VILLAGE HARBOR COMMISSION**

### **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies are described below.

#### **Financial Reporting Model**

The Board has implemented a new financial reporting model, as required by the provisions of GASB Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

#### **Reporting Entity:**

In evaluating how to define the Commission for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Commission is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units.

#### **Measurement Focus, Basis of Accounting and Basis of Presentation**

The Harbor Commission is presented as an enterprise fund. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or an economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Commission follows all pronouncements of the Governmental Accounting Standards Board, and has elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **CASEVILLE TOWNSHIP/VILLAGE HARBOR COMMISSION**

### **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

##### **Deposits and Investments**

For purposes of the statement of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition.

##### **Capital Assets**

Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$1,000. Capital assets of the Commission are reported at cost or the fair market value at the time of contribution to the Commission. Capital assets in service are depreciated using the straight-line method over the following useful lives:

Land Improvements	10 – 50 years
Buildings	30 years
Equipment	5 – 50 years

#### **NOTE 2 - CASH AND DEPOSITS:**

Deposits are carried at cost. Deposits of the Commission are made in banks in the name of Caseville Township/Village Harbor Commission. Michigan Compiled Laws, Section 129.91, as amended by Public Act 196 of 1997, authorizes the Commission Treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loans associations; bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the two highest classifications, which matures not more than 270 days after the date of purchase. The Commission deposits are in accordance with statutory authority.

The carrying amount of cash and deposits with financial institutions of the Caseville Township/Village Harbor Commission amounted to \$45,733 at March 31, 2005. The total bank balance as of the same date was \$65,061. Deposits with financial institutions are insured by the FDIC.

#### **NOTE 3 – CHANGES IN CAPITAL ASSETS:**

	<b>April 1, 2004 Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>March 31, 2005 Ending Balance</b>
<b>CAPITAL ASSETS:</b>				
Land	\$ 172,776			\$ 172,776
Land Improvements	1,171,621			1,171,621
Buildings	325,272			325,272

(Continued)

**CASEVILLE TOWNSHIP/VILLAGE HARBOR COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2005**

**NOTE 3 – CHANGES IN CAPITAL ASSETS: (CONTINUED)**

Equipment	<u>246,786</u>	<u>246,786</u>
Total	1,916,455	1,916,455
Less: Accumulated Depreciation	<u>800,926</u>	<u>850,240</u>
Net Capital Assets	<u>\$1,115,529</u>	<u>\$1,066,215</u>

**NOTE 4 - RISK MANAGEMENT:**

The Caseville Township/Village Harbor Commission participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$1,122,877 for real and personal property losses and \$5 million for liability losses. The Caseville Township/Village Harbor Commission is required to pay annual premiums to the Michigan Municipal Liability and Property Pool for the liability coverage. No supplemental premium assessment is required by the Michigan Municipal Liability and Property Pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**Worker's Compensation:**

The Caseville Township/Village Harbor Commission participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool for the coverage of losses related to worker's compensation claims. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$500,000. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.